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ECONOMIC DEVELOPMENT REVENUE NOTE, SERIES 2006
(FREEMAN REGIONAL HEALTH SERVICES PROJECT)
STATEMENT STATE OF SOUTH DAKOTA
SDCL 6-8B-19

Return to: Secretary of State
State Capitol
500 East Capitol
Pierre, South Dakota 57501-5077

FILING FEE $ 1.00

TELEPHONE: (605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvement, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a Bond (Note) Information Statement concerning each issue of bonds (Notes).

1. Name of Issuer:
   City of Freeman, South Dakota

2. Designation of Issue:
   $750,000 City of Freeman, South Dakota Economic Development Revenue Note, Series 2006 (Freeman Regional Health Services Project)

3. Date of Issue:
   September 29, 2006.

4. Purpose of Issue:
   The Note is being issued, together with certain other moneys to finance the construction and equipping of a 10-unit congregate housing complex which provides an independent group living environment, (six units at approximately 1,005 square feet each and four units at approximately 980 square feet each), with one common area (lounge, kitchenette, vestibule, etc.), (combined approximately 1,845 square feet), 10 garages (approximately 2,940 square feet), exercise room (approximately 330 square feet), hallways (approximately 3,210 square feet), and mechanical/other (approximately 1,530 square feet), and brick veneer, steel siding, concrete walks, curb and concrete drive, equipped with electric furnaces, central air-conditioning for each unit and common areas, electrical nurse call and telephone on each unit and common areas, plumbing fixtures and accessories to A.D.A. compliance, cabinetry, carpets in bedrooms, living, dining, halls and common areas and linoleum in baths, kitchens and entryways, all appliances including washer-dryer, dishwasher, range and refrigerator, draperies and blinds, central vacuum system for each unit and common areas and landscaping, to be constructed near the site of the Freeman Regional Health Services, within the City of Freeman, County of Hutchinson, State of South Dakota, specifically to be situated upon the real estate described as Lots 7 and 8

of Outlot 102, in Haar's First Addition to the City of Freeman, Hutchinson County, South Dakota, and to pay the expenses of the issuance of the Revenue Note (the "Project"). The Project is and will be owned and operated by Freeman Regional Health Services (the "Corporation").

The Sale Proceeds will be loaned to the Corporation pursuant to the Loan Agreement dated September 29, 2006 between the City of Freeman, South Dakota (the "City"), the Corporation and Merchants State Bank, Freeman, South Dakota ("the Escrow Agent"). The obligations of the Corporation for the indebtedness incurred under the Loan Agreement will be evidenced by the Corporation's First Mortgage Note, Series 2006, payable to the order of the City in the principal amount of $750,000 (the "First Mortgage Note") issued under the Loan Agreement.

5. Type of Note:
Economic Development

6. Principal Amount:
$750,000 issued as a single registered Note.

7. Paying Dates of Principal and Interest:

FOR VALUE RECEIVED, the undersigned, FREEMAN REGIONAL HEALTH SERVICES, a South Dakota not-for-profit corporation, hereby promise to pay to the order of the CITY OF FREEMAN, SOUTH DAKOTA, a body politic and corporate constituting a public instrumentality created under the laws of the State of South Dakota, the principal sum of SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS ($750,000) together with interest on the unpaid principal balance of this First Mortgage Note as follows:

Interest shall accrue on the First Mortgage Note and the Note from the date of the execution and delivery thereof on the unpaid principal balance thereof at an initial rate of 4.95% per annum from the date of the loan closing and adjusted and on September 29, 2011, September 29, 2016 and September 29, 2021 the interest rate shall be adjusted to 99% (percent is computed by dividing the Initial Interest Rate into the May 2006 Monthly Average Yield on U.S. Treasury Securities Adjusted to a Constant Maturity of Five Years as published in the Federal Reserve Statistical Release H.15) of the most recent May Monthly Average Yield on U.S. Treasury Securities Adjusted to a Constant Maturity of Five Years as published in the Federal Statistical Release H.15 (the "Index").

Notwithstanding the foregoing, the interest rate charged on the loan

at any time during the scheduled term will not be less than a tax-exempt rate of 4.75% or higher than the tax-exempt rate of 6.25%. Interest on the First Mortgage Note and the Note shall be computed on the basis of a 360-day year of twelve 30-day months.

8. Amortization Schedule:
Refer to No. 7 above.

9. Interest Rate or Rates, Including Total Aggregate Interest Cost:
Refer to No. 7 above. Total Aggregate Interest Cost approximated at $433,627.61.

THIS IS TO CERTIFY that the above information pertaining to the City of Freeman, South Dakota, is true and correct on this 29th day of September, 2006.

BY _____
EVELYN DUERKSEN, FINANCE OFFICER

[CITY SEAL]